

Cornell Motion for Summary Judgment Exhibit 42

Message

From: J Paul Bursic [jpb22@cornell.edu]
Sent: 11/29/2010 8:36:47 AM
To: Lisa M. Abbott [lma34@cornell.edu]; ecwalsh@med.cornell.edu; Michael J. Abbott [/O=CORNELL
INVESTMENTS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Mja222]
Subject: More RPOC attachments
Attachments: JHU Hewitt Prztan 11-2010.pdf; Investment Policy 9-11-07 WCMC.pdf

Lisa, Ed and Michael,

As our three RPOC attendees this afternoon who will be calling into the meeting, I wanted to make sure you had a few extra items that will be referred to in the meeting. Mike doesn't have the WCMC investment policy statement. I believe I have not yet sent out a copy of the Johns Hopkins presentation I will be doing. The latter is a rather long Ppt. deck that you may not want to print out, but I would archive it for future committee work reference.

I'll be sending out the agenda and call in number shortly.

Thanks, Paul



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University Pathfinder/University Roundtable Meeting | Fall 2010 | Coronado, California

403(b) Plan Design—A University Case Study

*Heidi Conway, Sr. Director of Benefits and HR Shared Services,
The Johns Hopkins University*

*Diane Vallerie Improta, Principal/Senior Investment Consultant,
Hewitt EnnisKnupp, Inc.*

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U N I V E R S I T Y

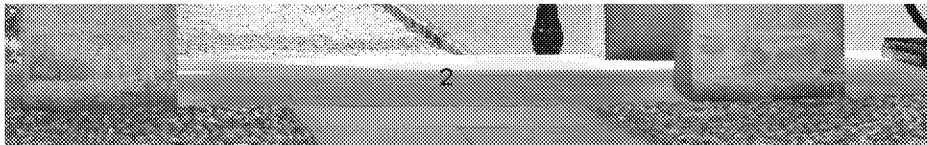
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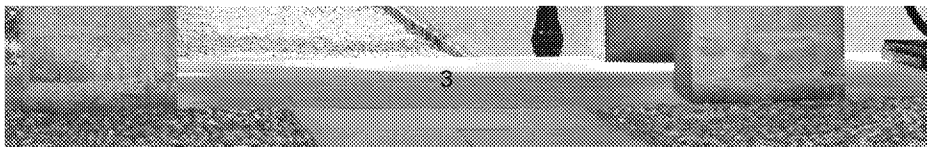
Where Is Your University In the Process?

- Thinking about it
 - Internal discussions
- Researching
 - Discussions with consultants and/or counsel
 - RFP for consulting services
- Action
 - Formed investment committee
 - Reviewing funds
 - Reviewing vendors
- Implementation
 - Moving to new fund line up
 - Reducing or consolidating recordkeepers
- Maintaining changes
 - Monitoring investments
 - Managing single recordkeeper or reduced number of vendors



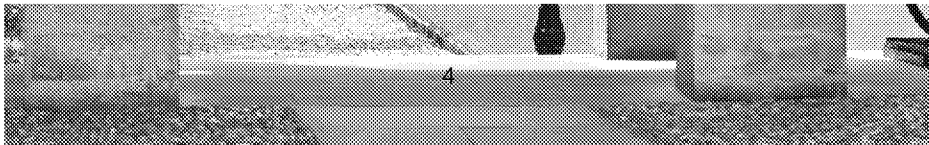
Discussion

- The 403(b) World Is Changing—Why Make Changes?
- What's First, Second, Third—Steps in the Process
 - Formation and Education of Committees
 - Selection of Independent Consultant(s)
 - Project Plan
 - Investment Program Redesign
 - Recordkeeper Consolidation
 - Communications and Decision Making—Johns Hopkins University (JHU) Stakeholder Analysis
 - Implementation
- How Are Faculty and Staff Responding
- Lessons Learned/Closing Thoughts
- Appendix





The 403(b) World Is Changing—Why Make Changes?

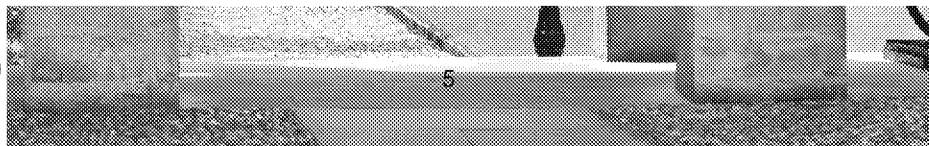


403(b) Regulations Summary

- IRS regulations issued in 2007 effectively made 403(b) plans more similar to 401(k) plans
- Before the regulations, significant differences existed

401(k) Plans	403(b) Plans
<ul style="list-style-type: none"> ■ Single recordkeeper ■ 10–30 investment options ■ Plan sponsor selects and monitors investments 	<ul style="list-style-type: none"> ■ Multiple recordkeepers ■ 100+ investment options ■ Plan sponsor has limited oversight of investments

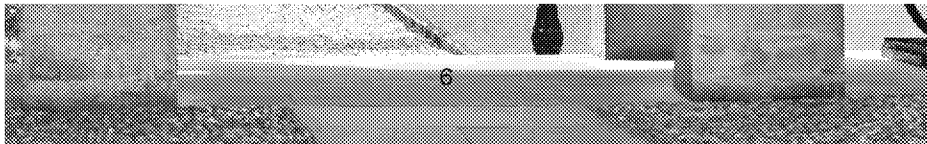
- Regulations require
 - Employer fiduciary oversight of plan and investments
 - Complex data consolidation across all recordkeepers



Rationale for Change—Fiduciary Oversight

Concerns

- Broad selection of investment options in JHU's 403(b) plan means
 - Investment Committee needs to monitor and track 400+ investment funds
 - Time and cost are involved
 - > Reviewing fund performance
 - > Meeting with investment managers
 - > Removing funds that are inappropriate for the plan
 - Too much choice is very challenging for participants
 - Some of the current investments may need to be replaced
- 404(c) safe harbor compliance
 - Significant increase in litigation over breach of fiduciary responsibility found in 401(k) environment may spill over into 403(b)

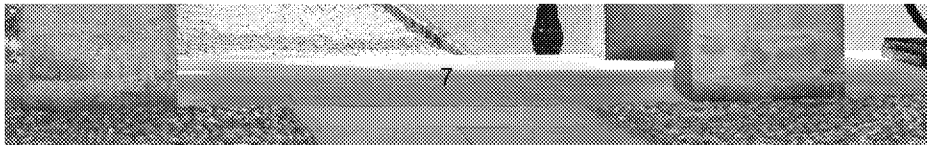


Rationale for Change—Compliance Risk

- Need to rely on University payroll to apply plan limits across multiple recordkeepers
 - **Note:** Plan limits include (1) a dollar limit, including 15-year service catch-up and age 50 catch-up, (2) a pay limit, and (3) limit on total annual additions
- Coordination across vendors difficult when it comes to monitoring requirements in plan operations
 - **Note:** Rules which are difficult to monitor across recordkeepers include (1) participant loans, (2) hardship withdrawals, (3) Qualified Domestic Relations Orders (QDROs), and (4) required minimum distributions
- University is ultimately responsible for 403(b) compliance

Consideration

- The complexity of monitoring across recordkeepers leaves opportunity for error



Rationale for Change—Other Considerations

Fees and Plan Expenses

- Increased scrutiny in Washington D.C. on fees paid for administrative expenses and investments; fee disclosure will increase
- In response, plan sponsors taking action to understand fees paid and make sure fees are appropriate for service delivered

Opportunity

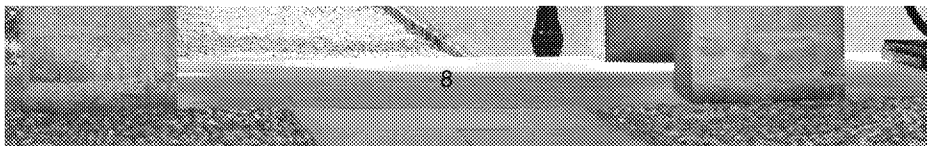
Explore lower fees for recordkeeping services and investments

Default Investments

- Pension Protection Act of 2006 outlined safe harbor default investment
- Must be (1) Target Date Fund, (2) balanced fund, (3) managed account, or (4) Capital Preservation fund, but only for the first 120 days of participation

Opportunity

Reassess default investments



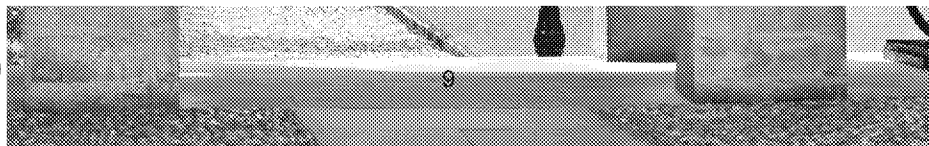
Advantages of Fewer Vendors

Fewer Vendors

- Typically better services for participants and the university
 - Higher investment return
 - Lower administrative fees
 - More services included
 - Ability to leverage size
 - Shorter, less expensive plan audit
 - Less work for the university
- Easier, less costly compliance because less need to coordinate with other vendors
- Ability to utilize investment tools for total benefit of participants
- Enhanced participant experience
 - Better participant investment education
 - Easier access to information and planning services and advice

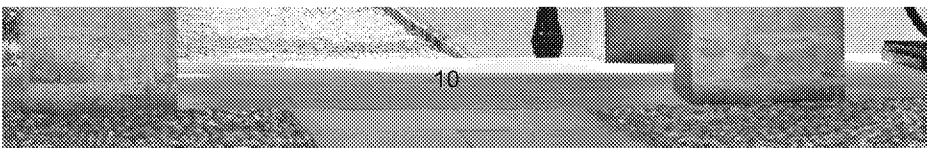
More Vendors

- Often poorer services for participants and the university
 - Lower investment return
 - Higher administrative and investment fees
 - Fewer services included
 - Reduced ability to leverage size
 - Longer, more expensive plan audit
 - More work for the university
- Harder, more costly compliance due to coordination among more vendors
- Ability to utilize investment tools for total benefit is limited or non-existent
- More challenging participant experience
 - Communication materials may not deliver cohesive message; incentive for each vendor to provide sales-oriented pitch instead of employee education
 - Too much choice



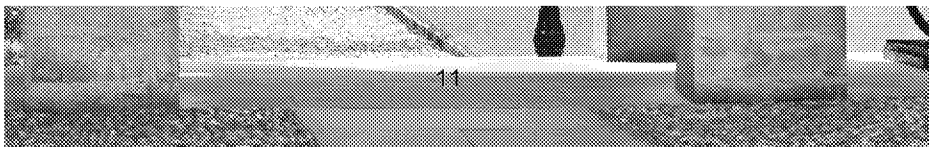


What's First, Second, Third—Steps in the Process



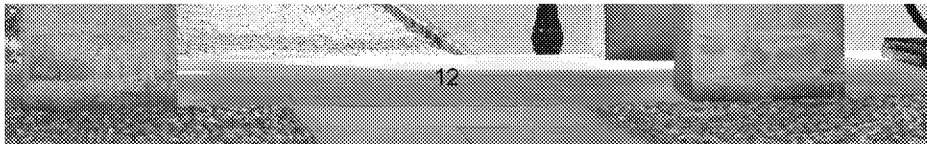


Formation and Education of Committees



Formation and Education of Committees

- Administrative committee and/or investment committee
- Representation and knowledge
 - Plan design
 - Legal requirements
 - Plan administration
 - Investments and finance
 - JHU culture
- Position/role
 - Human Resources
 - CIO, Treasury, and other Finance personnel
 - Legal
 - Faculty



ERISA Fiduciary Responsibilities

Education to the Committees

Fiduciary Standards

Exclusive Benefit Rule

- Act solely in interests of participants
- Exclusively to provide benefits
- Reasonable fees/expenses

Prudent Person Standards

- Care and diligence
- Facts and circumstances
- Assumes skill and knowledge
- Focus on prudent process

Diversification

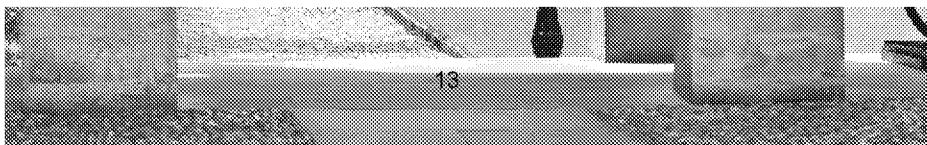
- Diversify to minimize risk unless imprudent to do so
- Section 404(c) exception

Follow Plan Document

- To the extent consistent with applicable law

Prohibited Transactions

- No self-dealing
- No transactions benefiting nonparticipants
- No acting against plan interests
- Limited exceptions





Selection of Independent Consultant(s)



Selection of Independent Consultant(s)

- Single vs. multiple consultants
 - Review of investments
 - Review of recordkeepers
- JHU used two different consulting groups to assist with the selection of the funds and the review of the recordkeepers
 - Wanted to ensure that we had additional perspectives and expertise; chose two industry leaders for both reviews
 - Wanted the selection of the investments to be unbiased, investments menu chosen first, recordkeeper chosen second
 - Review was significant and JHU wanted a balance of perspectives and expertise
- Pro's and con's
 - Single consultant
 - > Less coordination required
 - > More expedient
 - > More cost efficient
 - Multiple consultants
 - > Additional knowledge and expertise
 - > Additional resources
 - > Balance of perspectives

Project Plan

Investment Program Redesign

- Assess current structure and educate on best practices
- Determine investment structure
- Conduct fund search and select investments
- Review recordkeeper capabilities/suggestions for investments
- Finalize investment structure

Recordkeeper Consolidation

- Review current market and priorities
- RFP development
- Evaluate responses/select finalists
 - Capabilities, experience, flexibility
 - Investment flexibility
 - Fees
- Due diligence visits/negotiations
- Implementation

**Live
July 2011**

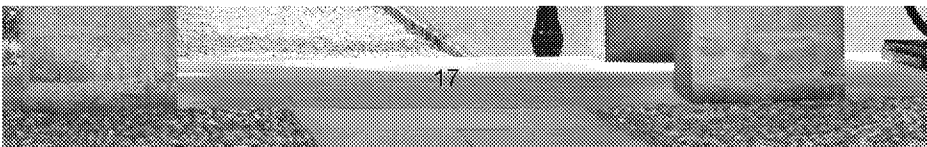
Communication Strategy

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Investment Program Redesign

JOHNS HOPKINS
UNIVERSITY

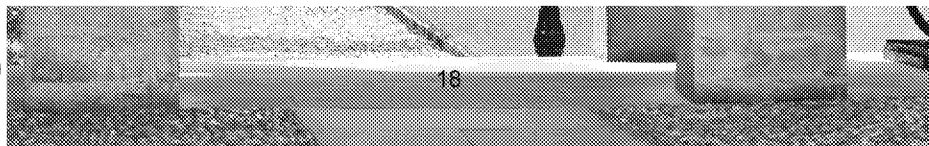


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Investment Program Redesign

JHU's Objective—Provide faculty and staff with appropriate investments to help them achieve their retirement wealth accumulation goals and to offer tools that better prepare them for retirement

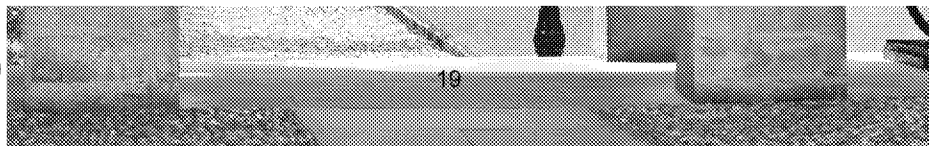
- Identify strong investments
 - Provide participants with appropriate vehicles for retirement savings
 - > Simple “one-stop” investment solutions with low fees (e.g., index-oriented target retirement date funds)
 - > Core menu of funds selected and monitored by the university
- Simplify plan investment structure
 - Simplicity encourages plan participation
- Reduce investment and administrative fees
 - Provide ability to construct a diversified portfolio at the lowest-cost possible
 - Change to lower-fee investments
 - > Change share classes, add funds with low fees, remove funds with high fees
 - Negotiate fees for administration with vendors
- Maintain a strong program through appropriate oversight by the university



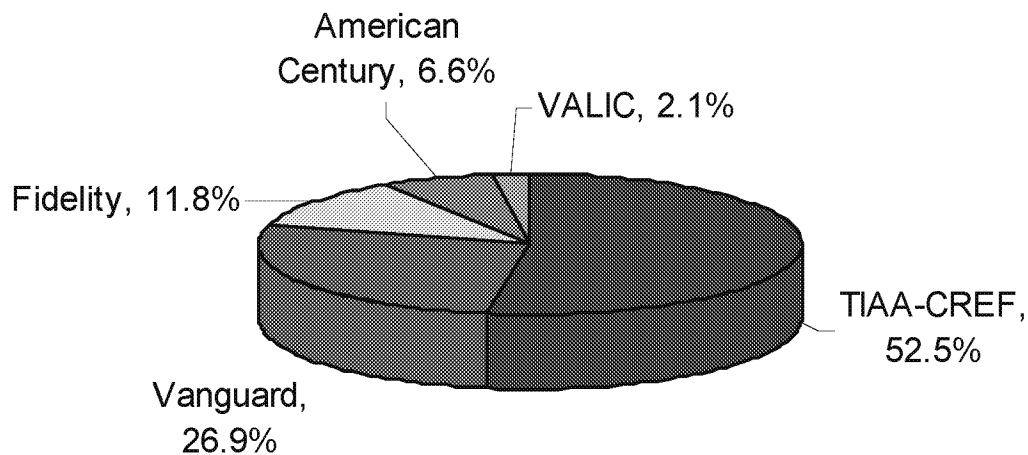
Investment Structure Redesign Process

Hewitt EnnisKnupp (HEK) considered many factors in the determination of alternative investment structures for JHU's 403(b) plan including

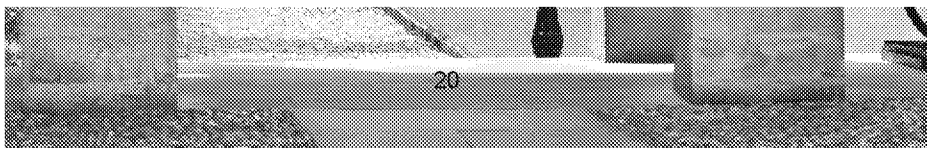
- Appropriate number of investment options to be offered in the plan
 - JHU's current situation
 - Participant behavior as it relates to the number of investment options
 - Plan costs and fiduciary considerations
- Types of investment options
 - JHU's current situation
 - Asset classes
 - Active vs. Passive
- Best practices in 403(b) and 401(k) plans
 - Simplicity encourages plan participation
 - Provide the ability to construct a diversified portfolio at any point on the risk/reward spectrum at the lowest-cost possible
 - Provide flexibility to invest in additional asset classes through a Mutual Fund window



JHU Total 403(b) Plans Asset Allocation



Provider	Total Assets 9/30/2009	% of Total Assets	Number of Options
TIAA-CREF	\$1,313,402,176	52.5%	19
Vanguard	\$674,151,992	26.9%	88
Fidelity	\$294,697,657	11.8%	174
American Century	\$165,770,210	6.6%	73
VALIC	\$53,484,013	2.1%	60
Total Plan	\$2,501,506,048	100.0%	414

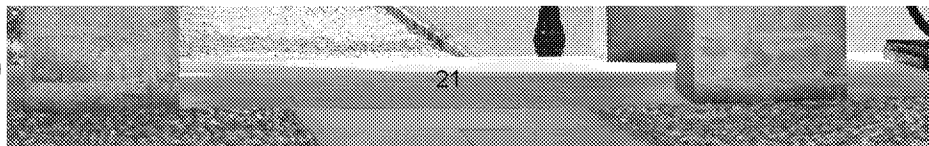


JHU's Current 403(b) Situation

- \$2.5 billion in assets in 403(b) Plan
- Multiple recordkeepers
 - TIAA-CREF (52%)
 - Vanguard (27%)
 - Fidelity (12%)
 - American Century (7%)
 - VALIC (2%)
- 414 investment options available

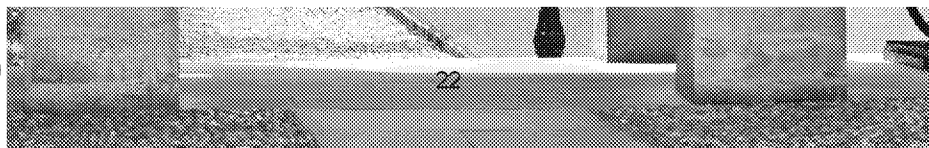
Observations

- The top 20 funds hold 66% of total plan assets
- TIAA-CREF accounts for 10 of the top 20 funds
- TIAA Traditional and CREF Stock account for 39% of total plan assets
- 70% of the total plan assets are invested in Large Cap and Capital Preservation funds



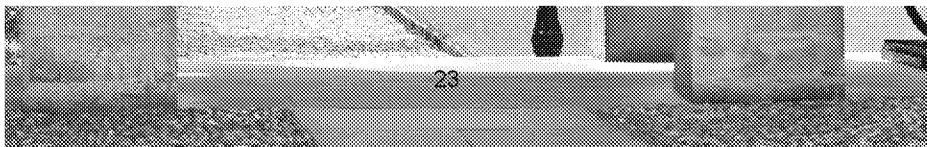
Emerging Trends in 403(b) Plans

	University A	University B	University C	JHU
Total Recordkeepers	3	1	1 (plus annuities)	1
Tier 1	1 Target Date Fund Series per vendor	1 Target Date Fund Series		
Tier 2	4 Mutual Funds per vendor (primarily passive)	15 Mutual Funds (active/passive)	5 Mutual Funds (primarily passive)	10 Mutual Funds (active/passive)
Tier 3	Annuities 1 Fixed 2 Variable	—	Annuities 1 Fixed 2 Variable	1 Annuity Window
Tier 4	2 Mutual Fund Window	1 Mutual Fund Window		
Default Investment	Target Date Funds			
Mapping Strategy	Map to Target Date Funds	Not Applicable (New Plan)	Map to Target Date Funds	



Investment Structure—Common Themes

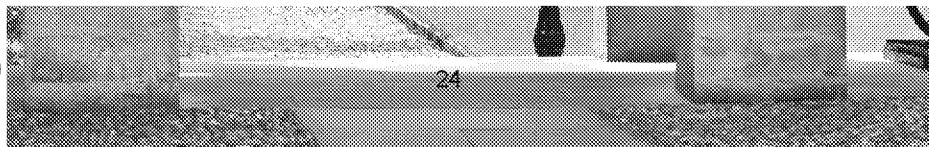
- Consolidation of recordkeepers
- Reduce investment menu to a reasonable and understandable number of investment options
 - Investments for different levels of participant engagement
- Qualified Default Investment Alternative (QDIA): Target Date Funds
- Asset mapping—In the absence of participant direction, map existing balances and future contributions from closed funds to the QDIA whenever possible



JHU Restructuring Investments

■ Implement a tiered approach

Levels	Characteristics
Target Date Funds	<ul style="list-style-type: none"> ■ Simple packaged solution requires less time and expertise ■ Built in asset allocation that gets more conservative as a person gets closer to retirement
Core Funds	<ul style="list-style-type: none"> ■ Limited number of options covering the key asset classes ■ Requires asset allocation decision ■ Investment committee monitors investments available
Annuity Window	<ul style="list-style-type: none"> ■ Fixed and variable annuities offered by TIAA-CREF ■ Could be full array or select subset
Mutual Fund Window	<ul style="list-style-type: none"> ■ Includes all mutual funds available through recordkeeper's brokerage account ■ Participant has greater flexibility, but also full responsibility for asset allocation and investment manager decisions



Active vs. Passive Management

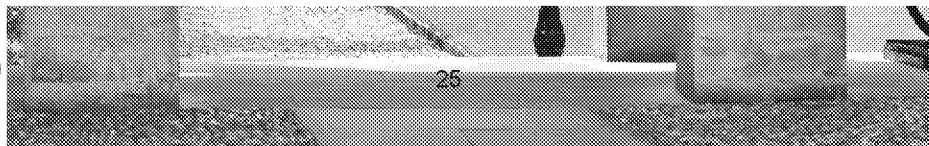
In most cases, a plan benefits from a mix of both active and passive management

Reasons To Consider Active Management

- In inefficient markets there is modest analyst coverage, allowing for value added by top quality investment managers
- Active managers can build portfolios to reflect their strongest investment convictions, thereby preventing the dilution of their research advantage by defaulting to a benchmark
- Index construction, best performing stocks move out of universe (i.e., Small Cap universe)
- Most equity indices are market-capitalization weighted. Therefore, index funds are most heavily invested in stocks that have done well in the past, with no consideration given to which companies and stocks might do well in the future
- In periods of financial crisis investment managers have the ability to take steps to avoid troubled areas

Reasons To Consider Passive Management

- Transaction costs and fees can be substantial and negatively impact returns
- In efficient markets, such as in U.S. Large Cap, there is substantial analyst coverage. More difficult for a manager/analyst to gain an information edge
- Active managers have a tendency to hold some cash that causes a drag on performance
- Less decision making required by investment manager or investor



Active vs. Passive Management

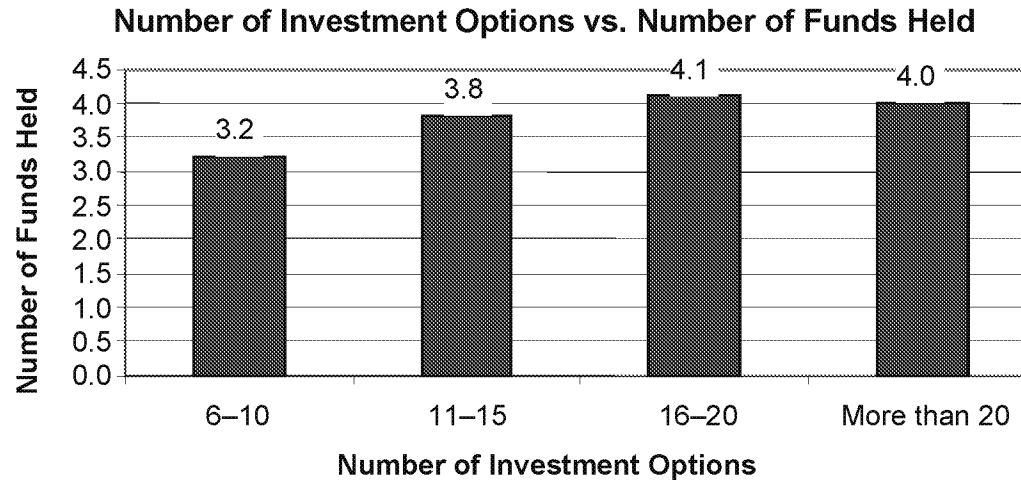
Active vs. Passive By Asset Class (Net of Fees)

Asset Class	Annualized Median Fund Value Added (September 30, 2009)		Annualized Top Quartile Fund Value Added (September 30, 2009)	
	5 Years	10 Years	5 Years	10 Years
Large Cap	0.0%	1.0%	1.2%	2.8%
Large Cap Growth	-0.1%	2.3%	1.1%	3.9%
Large Cap Value	0.6%	0.6%	1.8%	1.9%
Small Cap	0.1%	1.9%	2.0%	4.4%
Small Cap Growth	-0.6%	2.6%	1.3%	4.9%
Small Cap Value	1.4%	0.9%	3.1%	2.7%
International Equity	0.3%	1.4%	1.9%	3.9%
Intermediate Core Fixed Income	-0.3%	-0.3%	0.3%	0.1%

- Over the past five years, the median active manager outperformed its respective index in each major category with the exceptions being intermediate fixed income, Small Cap growth, and Large Cap growth on an after-fees basis
- Over the past ten years, the median manager added value in every category except intermediate fixed income on an after-fees basis
- The value-added differential between median and top quartile managers is meaningful across asset classes

Too Much Choice—Its Effect on Decisions

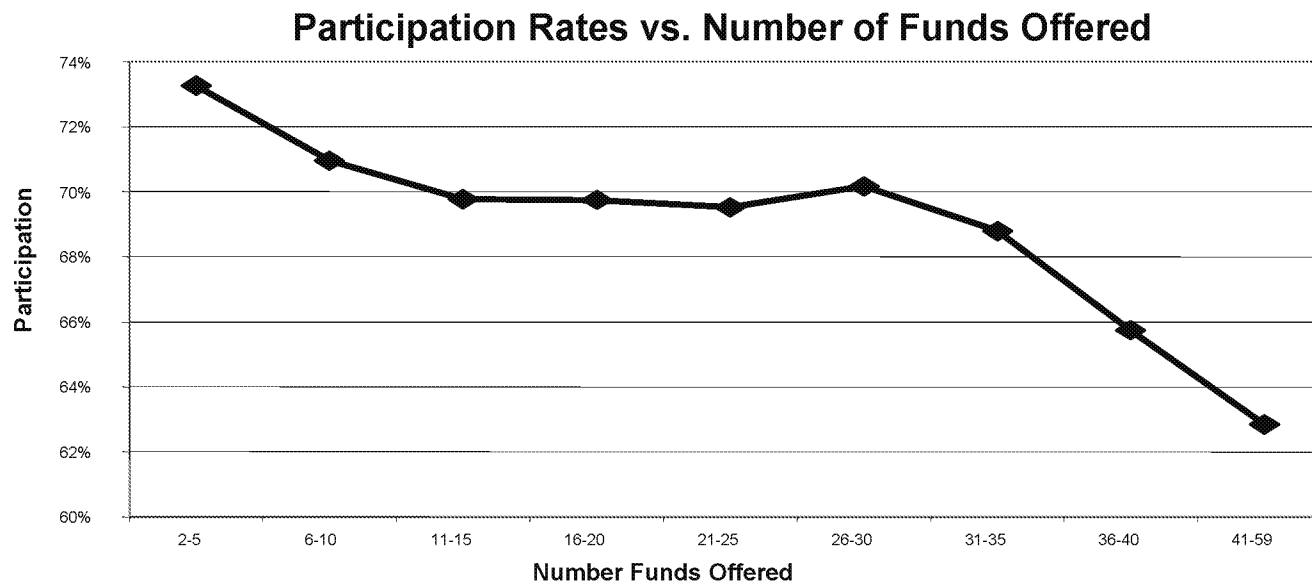
Impact of choice on diversification—An inverse relationship



*2002 Hewitt Research Report: *How Well are Employees Saving and Investing in 401(k) Plans.*

- The more funds offered, the greater the confusion by employees
 - Participants in plans with more than 20 investment funds were less diversified (i.e., held slightly fewer funds on average)

Too Much Choice—Its Effect on Decisions



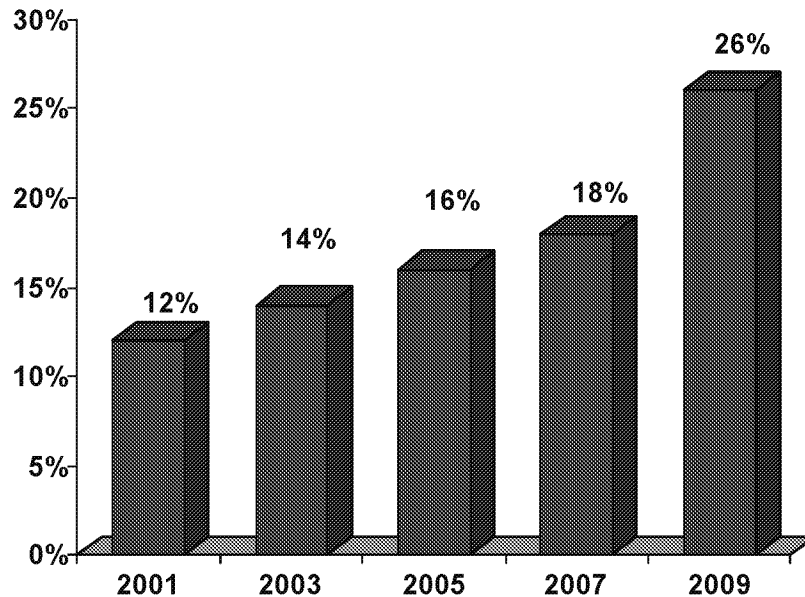
- As the attractiveness of alternatives rises individuals experience conflict and, as a result, tend to defer decision, search for new alternatives, choose the default option, or simply opt not to choose¹
- Impact of “choice overload” extends beyond diversification to impact factors about participation.² The greater the number of funds available, the less likely employees were to participate

¹ Shafir, E., I. Simonson, and A. Tversky. 1993. Reasoned-Based Choice. *Cognition* 49:11–36. , Dhar, Ravi (1997), "Consumer Preference for a No-Choice Option," *Journal of Consumer Research*, 24 (September), 215-231.

² Iyengar, S.S., and W. Jiang. 2005. The Psychological Costs of Ever Increasing Choice: A Fallback to the Sure Bet. *Journal of Personality and Social Psychology*

Self-Directed Brokerage Accounts

Prevalence



Observations

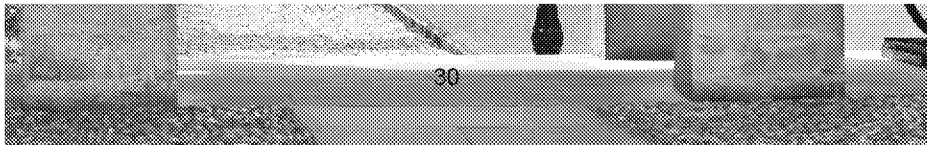
- Self-directed brokerage accounts are becoming more popular
- Where the self-directed brokerage window is available, on average 3% of assets are invested here

Source: Hewitt's 2009 Trends and Experience in 401(k) Plans Survey

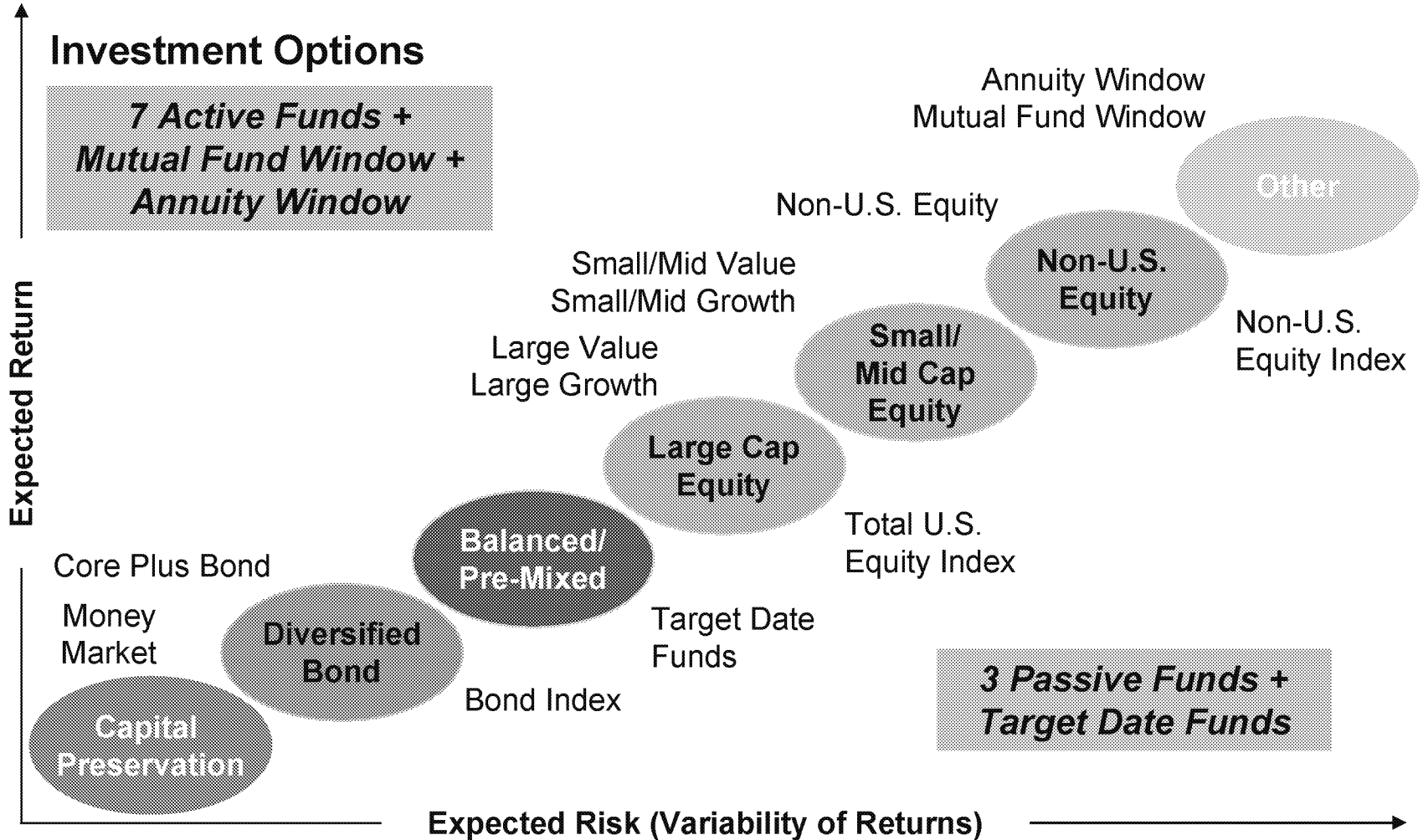
Self-Directed Brokerage Accounts

- A handful of universities offer
 - Emerging trend
 - Maintain investment flexibility while reducing monitoring burden
 - 403(b) plans must limit potential investments to Mutual Funds and/or Annuities
 - Plan participants pay for brokerage fees
 - Plan participants receive a separate statement for assets held in brokerage account
- Work with legal counsel when offering
 - Identify responsibilities for monitoring (if any)
 - Limit risk to university through appropriate disclaimers in forms and communications

Source: Hewitt's 2009 *Trends and Experience in 401(k) Plans Survey*.



JHU's Investment Line-Up



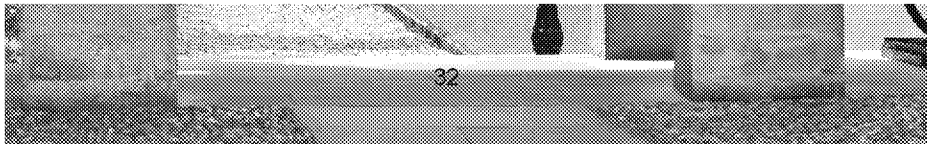
JHU—Other Considerations

Additional Asset Classes

- Emerging Markets
- Inflation-Linked Bonds
(i.e., Treasury Inflation
Protected Securities)
- Real Estate Investment Trusts

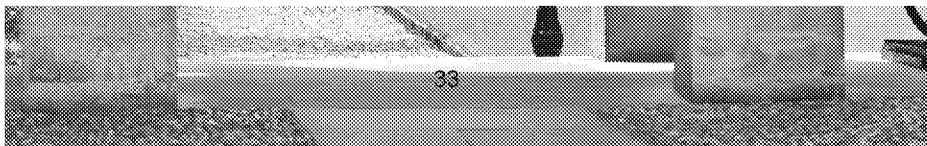
JHU Decided Not to Offer

- Maintain plan simplicity
- Mutual Fund window
provides access



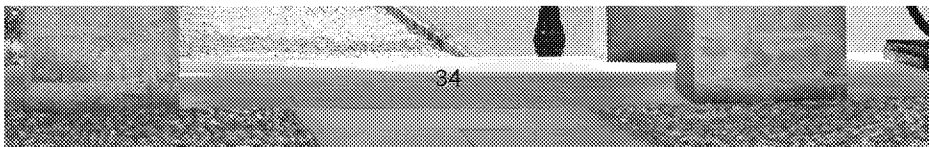
JHU—Asset Mapping From Closed Funds

- Default participant assets out of closed funds whenever possible
 - Ensure that participants are invested in monitored investments
- Map to the Qualified Default Investment Alternative or to the most similar fund
 - Age-appropriate Target Date Funds are the most common recipient
- Asset mapping: limited applications
 - Provide ample notice and encourage participants to make active elections
 - Asset mapping is not permitted from individual annuity contracts





Recordkeeper Consolidation



Recordkeeper Consolidation

Step 1—Review Current Market and Priorities

- Single vs. multiple recordkeepers (master recordkeeper)
- Recordkeepers to consider
- Proposal for single/multiple

Step 2—RFP Development

- Criteria to evaluate
- Metrics/importance
- Assumptions
- Finalized investment lineup

Step 3—Evaluate Responses/ Select Finalists

- Organizational strength
- Outsourcing and administrative services
- Systems and technology
- Investment flexibility
 - Ability to handle new lineup
 - Brokerage window nuances
- Conversion and implementation
- Fees
- Select and interview finalists

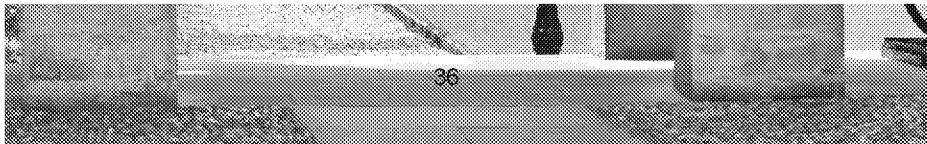
Recordkeeper Consolidation

Step 4—Due Diligence Visits/Negotiations

- Onsite evaluation
- Request “best and final” pricing
- Select vendor
- Negotiate fees and contract

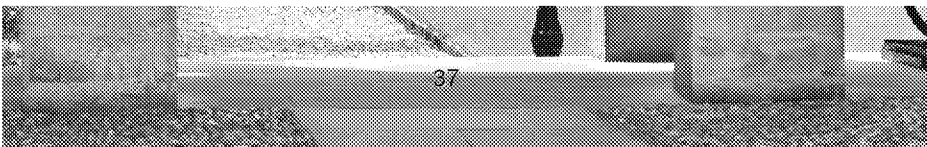
Step 5—Implementation

- Conversion date
- Re-enrollment decisions



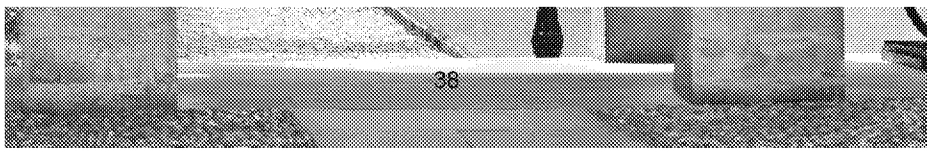


Communications and Decision Making



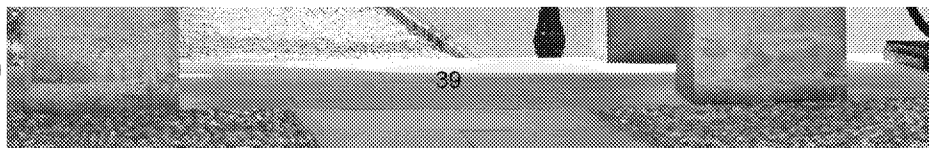
Communications and Decision Making— JHU Stakeholder Analysis

Stakeholder	What They Need to Understand	What They Need to Support	What They Need to Do
Trustees	<ul style="list-style-type: none"> ■ The changes, the stakeholder impact, and the communication timeline 	<ul style="list-style-type: none"> ■ These are the right changes to be making now 	<ul style="list-style-type: none"> ■ Remove any barriers to implementation success
Leadership <ul style="list-style-type: none"> ■ President ■ Provost ■ Deans ■ Vice Presidents 	<ul style="list-style-type: none"> ■ The changes, the stakeholder impact, and the communication timeline ■ Their role in the communication process 	<ul style="list-style-type: none"> ■ These are the right changes to be making now 	<ul style="list-style-type: none"> ■ Be able to articulate the key message platform ■ Be visible and supportive ■ Act as conduits for information, directing questions or issues to the appropriate resources, as needed
Faculty	<ul style="list-style-type: none"> ■ What's changing and how it impacts them ■ The importance of having a retirement savings strategy now 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review the online materials ■ Attend a meeting/Webcast ■ Consider their retirement savings strategy ■ Access the Benefits Service Center with questions ■ Decide how to invest their future 403(b) contributions by the deadline
Senior Staff	<ul style="list-style-type: none"> ■ What's changing and how it impacts them ■ The importance of having a retirement savings strategy now 	<ul style="list-style-type: none"> ■ Grouping with support staff makes sense ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review the online materials ■ Attend a meeting/Webcast ■ Consider their retirement savings strategy ■ Access the Benefits Service Center with questions ■ Decide how to invest their future 403(b) contributions by the deadline
Support Staff	<ul style="list-style-type: none"> ■ What's changing and how it impacts them ■ The importance of having a retirement savings strategy now 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Moving to the 403(b) plan means that you have more personal responsibility (and risk) in planning for your retirement 	<ul style="list-style-type: none"> ■ Review the online materials ■ Attend a meeting/Webcast ■ Consider their retirement savings strategy ■ Access the Benefits Service Center with questions ■ Make a retirement choice decision by the deadline ■ Decide how to invest their future 403(b) contributions by the deadline



Communications and Decision Making— JHU Stakeholder Analysis

Stakeholder	What They Need to Understand	What They Need to Support	What They Need to Do
Human Resources	<ul style="list-style-type: none"> ■ The changes, the stakeholder impact, and the communication timeline ■ Their role in the communication process 	<ul style="list-style-type: none"> ■ Change can be difficult but these changes are good for employees and good for the university 	<ul style="list-style-type: none"> ■ Participate in train-the-trainer session ■ Be prepared to answer questions ■ Be supportive of the changes, and promote desired employee behaviors
Divisional Coordinators and Managers	<ul style="list-style-type: none"> ■ The changes, the stakeholder impact, and the communication timeline ■ Their role in the communication process 	<ul style="list-style-type: none"> ■ Change can be difficult but these changes are good for employees and good for the university 	<ul style="list-style-type: none"> ■ Participate in information sessions ■ Be prepared to answer questions ■ Be supportive of the changes, and promote desired employee behaviors
Retirement Choices Champions	<ul style="list-style-type: none"> ■ The changes, the stakeholder impact, and the communication timeline ■ Their role in the communication process 	<ul style="list-style-type: none"> ■ Change can be difficult but these changes are good for employees and good for the university 	<ul style="list-style-type: none"> ■ Participate in information sessions ■ Be prepared to answer questions ■ Be supportive of the changes, and promote desired employee behaviors
Benefits Service Center Staff	<ul style="list-style-type: none"> ■ Answer specific questions about the retirement plans, as well as the changes ■ Assist participants with transactional inquiries ■ Facilitate the enrollment process for nonparticipants 	<ul style="list-style-type: none"> ■ Change can be difficult but these changes are good for employees and good for the university 	<ul style="list-style-type: none"> ■ Participate in train-the-trainer session ■ Be prepared to answer questions ■ Be supportive of the changes, and promote desired employee behaviors
Vendor Customer Service Staff (old and new)	<ul style="list-style-type: none"> ■ Assist participants with transactional inquiries 	<ul style="list-style-type: none"> ■ These changes are good for employees and good for the university 	<ul style="list-style-type: none"> ■ Be prepared to answer questions



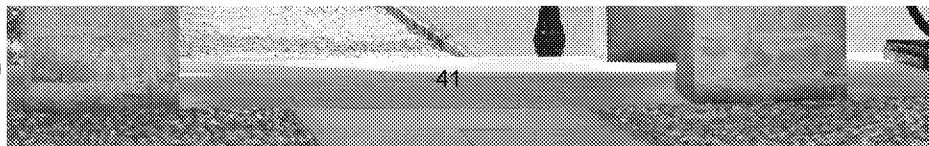
Communications and Decision Making— JHU Stakeholder Analysis

Stakeholder	What They Need to Understand	What They Need to Support	What They Need to Do
Bargaining Unit Staff	<ul style="list-style-type: none"> ■ What's changing for their colleagues, but not impacting them 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review online and other materials ■ Consider retirement savings strategy
Part-Time Staff	<ul style="list-style-type: none"> ■ What's changing for their colleagues, but not impacting them 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review online and other materials ■ Consider retirement savings strategy
Limited Temp/ Casual Employees	<ul style="list-style-type: none"> ■ What's changing for their colleagues, but not impacting them 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review online and other materials ■ Consider retirement savings strategy
Residents, Interns, and Post-Doctoral Candidates (School of Medicine)	<ul style="list-style-type: none"> ■ What's changing for their colleagues, but not impacting them 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review online and other materials ■ Consider retirement savings strategy
Homewood Post-Doctoral Candidates	<ul style="list-style-type: none"> ■ What's changing for their colleagues, but not impacting them 	<ul style="list-style-type: none"> ■ Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency ■ Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> ■ Review online and other materials ■ Consider retirement savings strategy



Communications and Decision Making— JHU Stakeholder Analysis

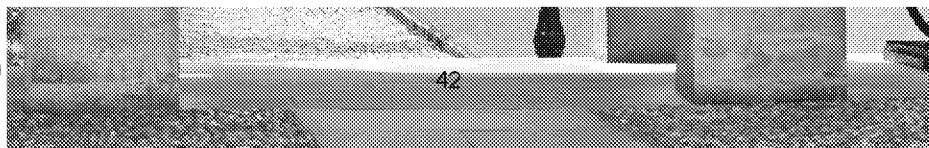
Stakeholder	What They Need to Understand	What They Need to Support	What They Need to Do
Alternate Payers	<ul style="list-style-type: none"> What's changing for current faculty and staff, but not impacting them 	<ul style="list-style-type: none"> Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> Review online and other materials Consider retirement savings strategy
Beneficiaries	<ul style="list-style-type: none"> What's changing for current faculty and staff, but not impacting them 	<ul style="list-style-type: none"> Changes are driven by compliance and the university's desire to move towards equity, simplicity, and transparency Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> Review online and other materials Consider retirement savings strategy
New Hires	<ul style="list-style-type: none"> Effective July 1, 2011, faculty will enter faculty plan, and sr. staff and support staff will have their own staff plan 	<ul style="list-style-type: none"> Now is a good opportunity to focus on retirement planning 	<ul style="list-style-type: none"> Review online and other materials Consider retirement savings strategy



Communications and Decision Making— How Do We Engage People and Build Ownership?

Guiding Principles

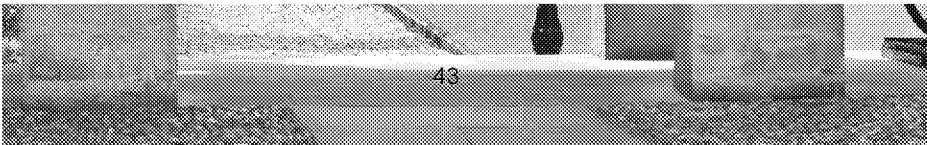
- Stick to fast, flexible, and online communications
 - Only mail to homes if required or if it enhances online communication
 - Consider a postcard strategy to drive people online
 - Our audiences have told us to “spam them” with e-mails if it’s important; need to put key info in the subject line of the e-mail
- Utilize “tried and true” media (keep it simple)
 - Fast Facts, e-mail (broadcast and specific), Benefits Web site, Benefits outreach sessions, online Toolkit, online personalized presentation, vendor financial meetings, etc.
- Engage others as “extensions” of the HR team
 - Identify and educate other champions
 - Consider introducing a Facebook-type collaboration tool (particularly with champions)
- Leverage vendor resources to supplement the communication campaign
- Incorporate some investor education but...
 - Voluntary participation in the 403(b) plan is already good for faculty/senior staff
 - Support staff has about 30% participation in the voluntary plan





Implementation

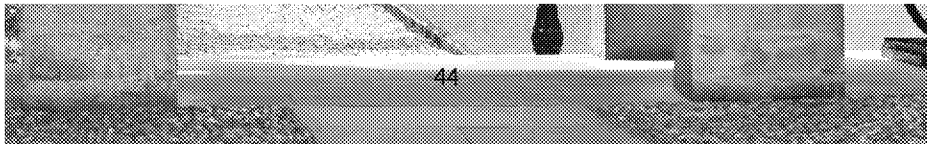
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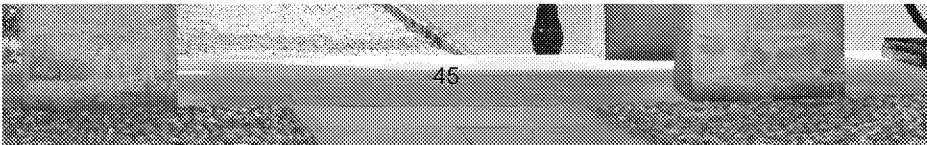
Implementation

- In process
- Considering addition of another investment option
- Default/mapping strategy
- One-time in kind transfer to brokerage window (upon written request)
- Continuous communications
- Planning, conversions, systems, timing
- Other





How Are Faculty and Staff Responding?

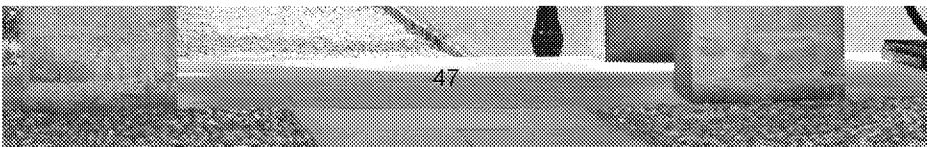


How Are Faculty and Staff Responding?

- Plan investment changes are generally well-received
 - Involving faculty, staff, and administrative personnel throughout the process is critical to a smooth transition
 - > All impacted groups have input into the process
 - > Representatives from each group coordinate feedback to/from their respective group
 - > Changes not broadly communicated yet
- Lots of confusion over what is happening and what it means to the individual participant
 - Broad communication was challenging due to the complexity of the changes
 - Stakeholders wanted to understand both the broad impact and how it impacts them personally
- Concerns about movement of legacy monies

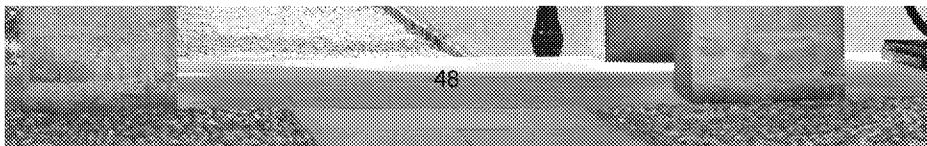


Lessons Learned/Closing Thoughts



Lessons Learned

- Need to be flexible
- It may take longer than you anticipate
- Subject matter is complex and difficult to communicate
- Retirement investments and providers can be personal to faculty and staff and it may take time for cost transparency, better investments, and improved participant experience to be valued
- Can't stand behind compliance or regulations as reason for change
- Understanding culture and getting buy-in are key; HR can't stand alone in this initiative



JHU Total Plan Cost—Estimated Savings

Total Plan Cost—Current Investment Structure

	Investment Management		Administration		Total Plan Cost	
	Percent	Dollar	Percent	Dollar	Percent	Dollar
American Century	0.97%	\$1,695,659	0.00%	\$0	0.97%	\$1,695,659
Fidelity	0.46%	\$1,445,674	0.32%	\$996,001	0.78%	\$2,441,675
Vanguard	0.28%	\$2,022,674	0.00%	\$0	0.28%	\$2,022,674
TIAA-CREF (Annuities + MF)	0.14%	\$1,856,760	0.37%	\$4,952,478	0.50%	\$6,809,238
VALIC	0.63%	\$355,415	0.55%	\$307,851	1.18%	\$663,266
Total Plan	0.28%	\$7,376,182	0.24%	\$6,256,330	0.52%	\$13,632,512

Estimated Total Plan Cost—Revised Investment Structure (with legacy fund mapping)*

	Investment Management		Administration		Total Plan Cost	
	Percent	Dollar	Percent	Dollar	Percent	Dollar
New Investment Line-up	0.28%	\$3,544,426	0.02%	\$269,060	0.30%	\$3,813,486
TIAA-CREF (Annuities)	0.13%	\$1,632,276	0.37%	\$4,830,255	0.50%	\$6,462,531
VALIC (Annuities)	0.63%	\$355,415	0.55%	\$307,851	1.18%	\$663,266
Total Plan	0.21%	\$5,532,117	0.21%	\$5,407,166	0.42%	\$10,939,284

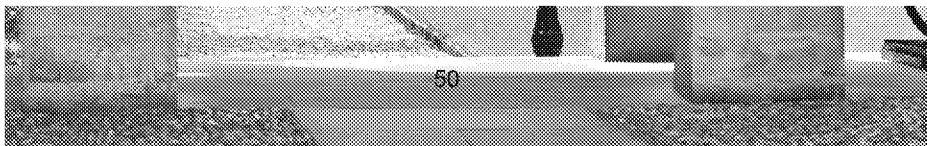
Estimated Total Plan Cost Benefit (with legacy fund mapping)

	Percent	Dollar
Total Plan	-0.10%	-\$2,693,228

* Assumes that there are \$1.2 billion invested in funds that will be closed and that after the implementation of the new investment line-up, ½ of plan assets in closed funds are transferred to Vanguard Target Date funds, and ½ of plan assets in closed funds are distributed equally across the other 10 funds in the new investment line-up.

Closing Thoughts

- Does the university have a committee that is responsible for 403(b) plan investment oversight?
- Is there an investment policy statement for the 403(b) plan?
- Does the university understand its fiduciary responsibilities under ERISA or applicable State Law?
- Has the university calculated the 403(b) plan's total cost?
- Is the 403(b) plan invested in the lowest-fee share classes available?
- Has the university worked with its vendors to reduce fees for administration?
- Does the 403(b) plan investment menu make it easy to select appropriate funds?
- Are your investment options competitive?
- Is the university monitoring the 403(b) plan's investments?



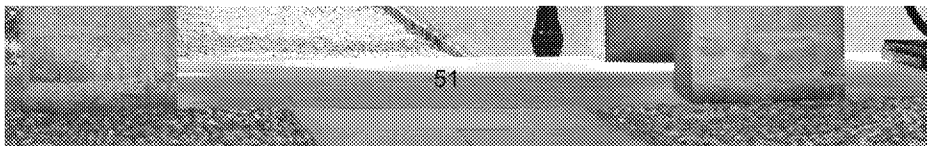
For More Information

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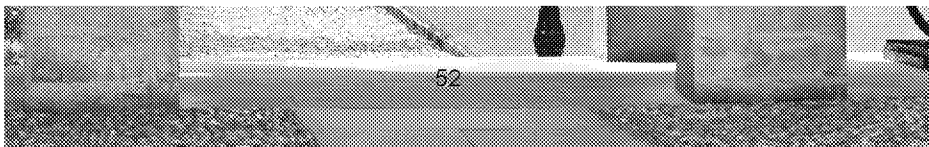
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Appendix

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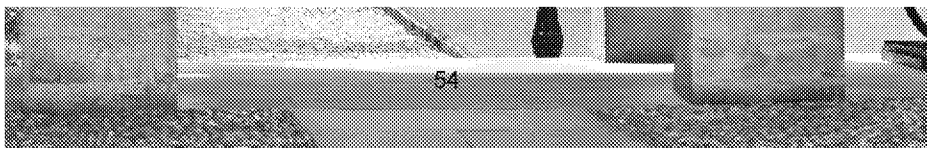
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Investment Program Design and Recordkeeper Consolidation Timeline—Sample

PROJECT STEPS	June					July				August					September				October				Nov–Jun	
	2	7	14	21	28	5	12	19	26	2	9	16	23	30	6	13	20	27	4	11	18	25	1	30
I. Phase One: Planning and Objective Setting																								
Investment Program Design—Data Collection																								
Prepare draft communication to recordkeeper for HIG to obtain data																								
Gather and consolidate plan level detail																								
■ Asset allocation and investment options by recordkeeper																								
■ Tickers, expense ratios, and revenue sharing																								
Recordkeeper Consolidation/Search—Define Requirements																								
Meet to determine objectives and priorities																								
■ Single vs. multiple recordkeepers																								
■ University views and opinions																								
Establish criteria/priorities																								
Confirm recordkeepers to participate in RFP																								
Gather and consolidate plan level detail																								
■ Plan documents																								
■ Cash flow information																								
II. Phase Two: Proposal Development and Investment Program Design																								
Investment Program Design—Structure																								
Review and assess the plans' current investment structure																								
■ Identification and categorization of existing funds																								
Educate committee on 403(b) best practices																								
■ Review industry practices and trends																								
■ Number and types of funds																								
■ Asset mapping strategy																								
■ Qualified default investment alternatives (QDIAs)																								
■ Total plan cost considerations																								
Meet to determine investment structure																								
■ Number and types of funds																								
■ Asset classes to be offered																								
■ Asset mapping and QDIAs																								
■ Total plan cost considerations																								
Conduct investment fund searches																								
■ Provide 2–3 alternatives in each asset class																								
Meet with the committee to select investments																								
■ Review alternatives presented																								
■ Select funds to be offered																								
Recordkeeper Consolidation/Search—RFP Development and Analysis																								
Draft RFP for University's review																								
Finalize RFP and send to recordkeepers																								
Address bidder's questions; wait for proposals																								
Analyze RFP services and fees																								
Investment Program Design—RFP Analysis																								
Analyze proposed investment modifications and fees																								


Investment Program Design and Recordkeeper Consolidation Timeline—Sample

PROJECT STEPS	June				July				August				September				October				Nov–Jun			
	2	7	14	21	28	5	12	19	26	2	9	16	23	30	6	13	20	27	4	11	18	25	1	30
III. Phase Three: Recordkeeper Selection																								
Recordkeeper Consolidation/Search—Evaluation and Selection																								
Summary of proposals sent to University or review																								
University to review findings/select 2–3 finalists																								
Finalist presentations at University																								
Final recordkeeper selection occurring after presentations																								
IV. Phase Four: Implementation Support Services																								
Recordkeeper Consolidation/Search—Implementation																								
Implementation by Recordkeeper																								
Contract review and negotiation, final fund line-up review																								
Asset transition analysis and recommendation																								



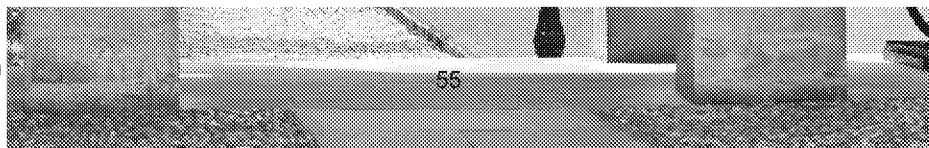
Communication Timeline

	January					February				March				April				May					Live Date
	3	10	17	24	31	7	14	21	28	7	14	21	28	4	11	18	25	2	9	16	23	30	
															Election Period								
E-mail announcement to key stakeholders																							
E-mail announcement of upcoming changes																							
Announcement newsletter																							
E-mail that transition guide coming soon																							
Transition guides to all participants																							
E-mail announcement of on-site meetings																							
On-site meetings with new recordkeeper																							
E-mail reminders for on-site meetings																							Live Date
E-mail reminders for election deadline (plus postcard for inactives?)																							
E-mail reminder for live date																							

 Communication Element Delivered

 Vacation/Recess Periods

 Exam/Commencement Period



Media Plan and High-Level Timeline

Audiences	Jun-Jul '10	Aug	Sept	Oct	Nov-Dec	Jan '11	Feb	Mar	April*	May	Jun
Human Resources	Communication strategy finalized <i>Aug 15</i>		Leadership heads up →				Meeting leader/ HR training <i>Feb 1–Feb 15</i>				
Support Staff			HR Web site launch Town Hall/AE outreach mtgs <i>(9/7–9/17)</i> Benefits Fairs <i>(9/24; 9/28)</i>	Link to landing page, tools, and reminders		Announcement Online education/newsletters (3) <i>Jan, Feb, Mar</i> Choice Decision Kit launches <i>Feb 1</i> Employee meetings <i>Feb 1–Mar 30</i> DB to DC Choice Period <i>Feb 15–Mar 8</i>			403(b) retirement transition communication similar to faculty/senior staff DB Conf statements <i>Apr 8</i> Investment Choice Period <i>Apr 15–May 6</i>		★
Faculty, Senior Staff, and Support Staff			HR Web site launch Town Hall/AE outreach mtgs <i>(9/7–9/17)</i> Benefits Fairs <i>(9/24; 9/28)</i>	Link to landing page, tools, and reminders		Announcement Online education/newsletters (3) <i>Jan, Feb, Mar</i>			Retirement Transition Kit launches <i>Apr 1</i> Employee meetings <i>Apr 15–May 6</i> Investment Choice Period <i>Apr 15–May 6</i>		★
Bargaining Unit			HR Web site launch Town Hall/AE outreach mtgs <i>(9/7–9/17)</i> Benefits Fairs <i>(9/24; 9/28)</i>	Enrollment tools and reminders		Announcement Online education/newsletters (3) <i>Jan, Feb, Mar</i>			403(b) retirement transition communication similar to faculty/senior staff Investment Choice Period <i>Apr 15–May 6</i>		★

★ Assumes retirement changes effective July 1, 2011

* Online Total Rewards Statement distributed by mid-April

